Joint Stock Company "United Aircraft Corporation"

Consolidated Financial Statements

for the year ended 31 December 2013

Contents

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Auditors' Report

To the Shareholders and the Board of Directors

Joint Stock Company "United Aircraft Corporation"

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

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing 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 policies 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 express a qualified opinion on the fair presentation of these consolidated financial statements.

Basis for Qualified Opinion

1 The Group has accounted for certain Government grants as revenue and the related costs as cost of sales which is not in compliance with International Financial Reporting Standard IAS 20 *"Accounting for Government grants and Disclosure of Government Assistance"*. Had the grants received been accounted for in accordance with International Financial Reporting Standards, revenues would have been reduced by RUB 15 090 million for the year ended 31 December 2013 (31 December 2012: RUB 12 514 million), cost of sales would have been reduced by RUB 11 344 million for the year ended 31 December 2013 (31 December 2012: RUB 9 558 million), and government grants related to income in the consolidated statement of income would have been increased by RUB 3 746 million for the year ended 31 December 2013 (31 December 2012: RUB 2 956 million).

2 There are indications that the recoverable amount of property, plant and equipment related to certain Group subsidiaries might be lower than their carrying amounts stated at RUB 35 194 million as at 31 December 2013 (31 December 2012: RUB 28 079 million). International Financial Reporting Standard IAS 36 "*Impairment of Assets"* requires that, where such indications exist, management makes a formal estimate of the recoverable amounts. No such estimate has been made. The effects of this departure from International Financial Reporting Standards, on the consolidated financial statements have not been determined.

3 In 2012 the Group lost control over its subsidiary Open Joint Stock Company "Finance Leasing Company" (or "FLC") following a court ruling on its bankruptcy. Because we were not provided with access to the financial information of FLC relating to the 2011 and 2012 years, we were unable to complete our audit procedures regarding this subsidiary, whose net profit and related gain on disposal contributed a total gain of RUB 8 732 million to the financial performance of the Group in 2012. As a result, we were unable to determine whether adjustments might have been necessary with respect to the Group's consolidated financial performance and cash flows in 2012. Our opinion on the consolidated financial statements as at and for the year ended 31 December 2012 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the effects of the matters described in the first and second paragraphs of the Basis for Qualified Opinion and except for the possible effects on the corresponding figures as at and for the year ended 31 December 2012 and the possible effects on the comparability of the current year's figures of the matter described in the third paragraph of the Basis for Qualified Opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО Г.Р. №011585
КПМГ
KPMG
* МОСКВА *

Belyatski I.O.

Director, (power of attorney dated 3 October 2011 No. 35/11)

ZAO KPMG

28 April 2014

Moscow, Russian Federation

Mln RUB	Note	2013	2012
Revenue	7	220 065	171 019
Cost of sales		(175 664)	(135 132)
Gross profit		**44 401**	**35 887**
Government grants related to income	26	636	456
Research and development costs		(370)	(124)
Distribution expenses		(11 997)	(15 923)
Administrative expenses		(25 511)	(23 319)
Other operating income	10	557	9 783
Other operating expenses	9	(4 890)	(6 158)
Profit from operations		**2 826**	**602**
Finance income	11	2 821	6 110
Finance costs	11	(17 746)	(13 397)
Share of loss of equity accounted investees	15	(733)	(385)
Loss before income tax		**(12 832)**	**(7 070)**
Income tax benefit	12	422	1 420
Loss for the year		**(12 410)**	**(5 650)**
Loss attributable to:			
Shareholders of the Company		(8 733)	(819)
Non-controlling interest		(3 677)	(4 831)
Loss for the year		**(12 410)**	**(5 650)**
Basic and diluted loss per share (RUB)	23	(0,0398)	(0,0039)

The consolidated financial statements were authorised for issue on 28 April 2014:

Mikhail Pogosyan,
President

«ОБЪЕДИНЕННАЯ АВИАСТРОИТЕЛЬНАЯ КОРПОРАЦИЯ»
МОСКВА

Vladimir Chirikov,
Vice-president for Economics and Finance

The accompanying notes are an integral part of these consolidated financial statements

Mln RUB	2013	2012
Loss for the year	(12 410)	(5 650)
Items that are or may be reclassified to profit or loss:		
Foreign currency translation differences	1 371	(758)
Effective portion of changes in fair value of cash flow hedges, net of tax	75	(1 216)
Items that will never be reclassified to profit or loss:		
Remeasurement of defined benefit plan liability	(86)	(203)
Total comprehensive loss for the year	**(11 050)**	**(7 827)**
Total comprehensive loss attributable to:		
Shareholders of the Company	(7 199)	(2 836)
Non-controlling interest	(3 851)	(4 991)
	(11 050)	**(7 827)**

__The accompanying notes are an integral part of these consolidated financial statements__

Mln RUB	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	13	121 959	112 056
Intangible assets	14	59 061	51 733
Investments in associates and joint ventures	15	722	9 691
Investments and non-current financial assets	16	3 487	3 698
Finance lease receivables		3 260	784
Deferred tax assets	17	8 533	6 677
Other non-current assets		423	61
Other receivables, non-current	19	1 056	5 811
Total non-current assets		**198 501**	**190 511**
Current assets			
Investments	16	1 530	3 277
Assets classified as held for sale	21	9 028	-
Inventories	18	170 594	155 306
Trade and other receivables	19	106 904	71 454
Finance lease receivables		408	68
Current income tax receivables		428	1 057
Cash and cash equivalents	20	59 098	52 453
Other current assets		518	1 389
Total current assets		**348 508**	**285 004**
Total assets		**547 009**	**475 515**
EQUITY AND LIABILITIES			
Equity	22		
Share capital		188 903	219 655
Share premium		4 566	4 566
Revaluation reserve		207	207
Prepaid shares reserve		4 198	-
Treasury shares		(410)	(410)
Foreign currency translation reserve		4 445	2 915
Hedging reserve		-	(75)
Accumulated loss		(92 370)	(116 139)
Total equity attributable to shareholders of the Company		**109 539**	**110 719**
Non-controlling interest		(3 861)	(1 769)
Total equity		**105 678**	**108 950**
Non-current liabilities			
Loans and borrowings	24	157 978	122 191
Deferred tax liabilities	17	4 616	3 266
Employee benefits	27	3 453	3 296
Trade and other payables	25	37 120	5 624
Provisions	28	134	-
Total non-current liabilities		**203 301**	**134 377**
Current liabilities			
Loans and borrowings	24	102 802	93 008
Income tax payable		21	479
Trade and other payables	25	132 197	135 701
Employee benefits	27	723	423
Provisions	28	2 287	2 577
Total current liabilities		**238 030**	**232 188**
Total equity and liabilities		**547 009**	**475 515**

The accompanying notes are an integral part of these consolidated financial statements

Mln RUB	2013	2012
OPERATING ACTIVITIES		
Loss before income tax	**(12 832)**	**(7 070)**
Adjustments for:		
Depreciation and amortisation	16 085	12 115
Foreign exchange differences not related to operating activities	1 173	(3 275)
Share of losses in equity accounted investees	733	385
Gain on disposal of subsidiary	-	(7 849)
Change in bad debt provision	1 267	1 080
Gain on disposal of property, plant and equipment and intangible assets	(171)	(431)
Interest expense	17 013	14 762
Government grant related to compensation of interest expense	(2 763)	(1 174)
Interest income	(2 638)	(2 669)
Operating profit before changes in working capital and provisions	**17 867**	**5 874**
Change in inventories	(15 288)	(33 540)
Change in trade and other receivables	(28 515)	3 513
Change in trade and other payables	27 992	25 829
Change in lease receivable	(2 816)	(837)
Change in employee benefits	457	558
Change in other current and non-current assets	762	3 849
Change in provisions	(157)	(572)
Cash flows utilized by operations before income taxes and interest paid	**302**	**4 674**
Income taxes (paid)/received	159	(3 448)
Interest paid, net of grant received	(13 011)	(13 588)
Cash flows utilized by operating activities	**(12 550)**	**(12 362)**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	724	1 315
Acquisition of property, plant and equipment	(26 088)	(20 728)
Acquisition of investments	212	-
Acquisition of intangible assets	(7 796)	(9 602)
Contribution to equity of associates	(783)	(1 020)
Change in loans granted and cash deposits	1 747	(485)
Government grant received related to assets	1 251	126
Interest received	2 638	2 669
Dividends received	81	169
Cash flows utilized by investing activities	**(28 014)**	**(27 556)**
FINANCING ACTIVITIES		
Proceeds from borrowings	164 577	131 314
Repayment of borrowings	(126 225)	(100 323)
Paid in capital	4 198	14 441
Contributions to equity of subsidiaries by non-controlling shareholders	3 838	1 850
Cash of subsidiary acquired under common control	-	37
Acquisition of non-controlling interest	-	(197)
Dividends paid	(258)	(160)
Cash flows from financing activities	**46 130**	**46 962**
Net increase in cash and cash equivalents	**5 566**	**7 044**
Cash and cash equivalents at beginning of year	52 453	46 002
Effect of exchange rates fluctuations on cash and cash equivalents	1 079	(592)
Cash and cash equivalents at end of year (note 20)	**59 098**	**52 454**

The accompanying notes are an integral part of these consolidated financial statements

Mln RUB	**Attributable to equity holder of the Company**										
	Share capital	**Share premium**	**Prepaid shares reserve**	**Treasury shares**	**Revaluation reserve**	**Hedge reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2012	**201 926**	**4 566**	**2 698**	**(410)**	**207**	**881**	**3 783**	**(123 150)**	**90 501**	**2 452**	**92 953**
Total comprehensive loss for the year											
Loss for the year	-	-	-	-	-	-	-	(819)	(819)	(4 831)	(5 650)
Defined benefit plan actuarial loss, net of tax	-	-	-	-	-	-	-	(193)	(193)	(10)	(203)
Cash flow hedges	-	-	-	-	-	(1 159)	-	-	(1 159)	(57)	(1 216)
Foreign exchange differences	-	-	-	-	-	203	(868)	-	(665)	(93)	(758)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(956)**	**(868)**	**(1 012)**	**(2 836)**	**(4 991)**	**(7 827)**
Transactions with owners recognised directly in equity											
Share issues of the Company:											
Satisfied in cash	17 139	-	(2 698)	-	-	-	-	-	14 441	-	14 441
Satisfied by contributions of equity interest in subsidiaries	590	-	-	-	-	-	-	7 300	7 890	-	7 890
	17 729	**-**	**(2 698)**	**-**	**-**	**-**	**-**	**7 300**	**22 331**	**-**	**22 331**
Other transactions with owners:											
Contributions to equity of subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	1 390	1 390	460	1 850
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(194)	(194)	(3)	(197)
Derecognition of subsidiary JSC "FLC"	-	-	-	-	-	-	-	(473)	(473)	473	-
Dividends	-	-	-	-	-	-	-	-	-	(160)	(160)
Balance at 31 December 2012	**219 655**	**4 566**	**-**	**(410)**	**207**	**(75)**	**2 915**	**(116 139)**	**110 719**	**(1 769)**	**108 950**

Mln RUB	**Attributable to equity holder of the Company**										
	Share capital	**Share premium**	**Prepaid shares reserve**	**Treasury shares**	**Revaluation reserve**	**Hedge reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2013	**219 655**	**4 566**	**-**	**(410)**	**207**	**(75)**	**2 915**	**(116 139)**	**110 719**	**(1 769)**	**108 950**
Total comprehensive loss for the year											
Loss for the year	-	-	-	-	-	-	-	(8 733)	(8 733)	(3 677)	(12 410)
Defined benefit plan actuarial loss, net of tax	-	-	-	-	-	-	-	(71)	(71)	(15)	(86)
Cash flow hedges	-	-	-	-	-	75	-		75		75
Foreign exchange differences	-	-	-	-	-	-	1 530	-	1 530	(159)	1 371
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**75**	**1 530**	**(8 804)**	**(7 199)**	**(3 851)**	**(11 050)**
Transactions with owners recognised directly in equity											
Share issues of the Company:											
Reduction of share capital by reducing the par value of shares	(30 752)	-	-	-	-	-	-	30 752	-	-	-
Prepayment of share issue	-	-	4 198	-	-	-	-	-	4 198	-	4 198
	(30 752)	**-**	**4 198**	**-**	**-**	**-**	**-**	**30 752**	**4 198**		**4 198**
Other transactions with owners:											
Contributions to equity of subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	1 110	1 110	2 728	3 838
Reorganization of subsidiaries	-	-	-	-	-	-	-	711	711	(711)	-
Dividends	-	-	-	-	-	-	-	-	-	(258)	(258)
Balance at 31 December 2013	**188 903**	**4 566**	**4 198**	**(410)**	**207**	**-**	**4 445**	**(92 370)**	**109 539**	**(3 861)**	**105 678**

The accompanying notes are an integral part of these consolidated financial statements

1 Background

(a) Organisation and operations

Joint Stock Company “United Aircraft Corporation” (hereinafter the “Company” or “UAC”) was incorporated on 20 November 2006 following the Decree of the President of the Russian Federation No.140 dated 20 February 2006.

The principal activity of the Company is the manufacturing of military and civil aircraft under contracts with Russian and foreign governments. The Company and its subsidiaries (“the Group”) are also engaged in research and development works for military and civil aircraft.

The Group comprises a number of entities, including leading aircraft plants and design bureaus located in the Russian Federation. The main components of the UAC’s business are as follows:

- Civil aircraft development and construction;
- Military aircraft development and construction;
- Aircraft sales financing and other activities.

In accordance with Russian legislation the supply of military equipment to foreign governments is the competence of the Russian government or entities holding appropriate licence and, therefore, certain contracts with foreign governments are concluded through the Russian state organization OJSC “Rosoboronexport” (“Rosoboronexport”).

The Company’s office is located at Bld. 1, 22 Ulansky pereulok, Moscow, 101000, Russia.

The shareholding structure of the Company as at 31 December 2013 and 31 December 2012 was as follows:

Shareholders	2013	2012
Russian Federation (Federal Agency for State property management)	84%	84%
Vneshekonombank (VEB)	9%	9%
Private shareholders	7%	7%

The Group is ultimately controlled by the government of Russian Federation.

Since November 2009 the Company’s shares are traded on the Russian stock exchanges MICEX with UNAC tickers.

(b) State Secrets

The operations of the Group related to the construction and sale of military aircraft are subject to the Law of the Russian Federation on State Secrets signed by the President of the Russian Federation on 21 July 1993. This Law provides that the information on the foreign policy, military activities and economic activities of the Russian Federation, disclosure of which can cause damage to the security of the country, is considered a state secret. Access to information classified as a state secret can be granted by the appropriate authorities only to organizations and individuals holding security licenses with the appropriate form of clearance. In addition, part of the property, plant and equipment of the Company makes up the mobilization capacity of the state (refer note 13(d)) and is also subject to the Law on State Secrets. The law also limits the authority of the Company to dispose of these assets.

(c) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations adopted by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

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

- derivative financial instruments, investments at fair value through profit or loss and financial investments classified as available-for-sale are stated at fair value; and
- defined benefit plan liability is recognised as the net total of the plan assets less the present value of the defined benefit obligation.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of the Group entities, except for JSC "Irkut Corporation" and CJSC "Sukhoi Civil Aircraft", whose functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances of these subsidiaries. RUB is the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

Change of CJSC "Sukhoi Civil Aircraft" functional currency

As part of the process of preparation of the financial statements management constantly monitors and assesses internal and external information relevant for the decision on selection of the most appropriate functional currency. In this assessment, management considers key circumstances and events that have the most impact as well as seeks for the evidence of any variations or expected changes in those events and circumstances that may collectively indicate on a strong case for transition to a different functional currency. As regards to the result of the most recent analysis, the influence of some factors contributing to the decision evolved over time and became more evident only with 2012-2013 perspective, others were generally assumed to be important in the previous reporting periods but only crystallised in 2013 in light of more factual evidence and thus supported the need for transition. The key factors are described below.

- Management thoroughly assessed the impact of the USD on the CJSC "Sukhoi Civil Aircraft" cost base and concluded that USD will be the currency with the largest impact in the foreseeable future – giving regard to an international cooperation status of the SSJ-100 program.
- The pattern of financing of the CJSC "Sukhoi Civil Aircraft" demonstrated a permanent drift from targeted government support in the form of government grants towards direct contributions from shareholders and attracting external debt denominated in USD.

- SSJ-100 program life-cycle phase became solidly operating and the CJSC "Sukhoi Civil Aircraft" demonstrated ability to reach target export markets by selling a substantial number of aircraft where pricing is driven by international market which is commonly based on USD.

As a result of the internal reassessment of the economic effects of transactions, events and conditions relevant for CJSC "Sukhoi Civil Aircraft" operations, management concluded that the nature of the operations and transactions were changed so that its functional currency also changed from RUB to USD as of 1 January 2013 with prospective effect.

The key impact of the change in the functional currency would be in reduction of foreign currency exposures to USD, therefore it is generally expected that fluctuations of Russian Rouble against USD would no longer have a significant impact on the CJSC "Sukhoi Civil Aircraft" performance.

(d) Use of estimates and judgements

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described in the following notes:

- Notes 3(m) and 7 – Revenue;
- Note 14 – Impairment of intangible assets;
- Notes 3(e)(ii) and 14 – Research and development
- Note 17 - Deferred tax assets;
- Note 28 – Provisions;
- Note 31 – Contingencies;
- Note 2(c) - Functional currency.

(e) Adoption of new and revised standards and interpretations

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013. The nature and effects of the changes are explained below.

IAS 1 Presentation of Financial Statements (amended) ("IAS 1")

As a result of amendments to IAS 1, presentation of consolidated statement of comprehensive income has changed. Due to new requirements all items are grouped in those that will be reclassified subsequently to the consolidated income statement when specific conditions are met and those that will not be reclassified subsequently to the consolidated income statement.

IFRS 13 Fair Value Measurement;

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Note 29(g)).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

IFRS 12 Disclosures of Interests in Other Entities;

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see notes 22(h) and 33) and equity-accounted investees (see note 15).

Other standards and interpretations

Adoption of amendments to the following Standards detailed below did not have significant impact on the accounting policies, financial position or performance of the Group:

IAS 16 Property, Plant and Equipment (amended);

IAS 19 Employee Benefits (amended);

IAS 27 Separate Financial Statements (amended);

IAS 28 Investments in Associates and Joint ventures (amended);

IAS 32 Financial Instruments: Presentation (amended);

IAS 34 Interim Financial Reporting (amended);

IAS 36 Impairment of Assets (amended);

IFRS 1 First-time adoption of IFRS (amended);

IFRS 7 Financial Instruments: Disclosures (amended);

IFRS 10 Consolidated Financial Statements;

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

(f) 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 2013, and have not been applied in preparing these consolidated financial statements. The Group anticipates the likely impact of these new Standards and Interpretations will not be significant. The Group plans to adopt these pronouncements when they become effective.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When necessary the accounting policies of subsidiaries have been changed to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The acquisition of subsidiaries from third parties is accounted for using the acquisition method of accounting. The identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values as at the date of acquisition.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result. Non-controlling interest is measured at its proportionate interest in the identifiable net assets of the acquiree.

(ii) Associates and jointly controlled entities (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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control 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 zero, 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.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Acquisitions from entities under common control

The assets and liabilities acquired in business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are recognised at the carrying amounts recognised previously in the financial statements of the entities. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity. Comparatives are not restated.

(b) 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. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on 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.

(c) Operations with the functional currency other than functional currency of the Parent company

For subsidiaries whose functional currency is different from the functional currency of the Company, the assets and liabilities of such operations, including goodwill and fair value adjustments arising on acquisition, are translated into RUB at exchange rates at the reporting date. The income and expenses of these operations are translated into RUB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income in the foreign currency translation reserve. When an operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Furthermore, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is determined using the straight-line method based on the estimated useful lives of the individual assets and is recognised in profit or loss.

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Leased assets are depreciated over the period of useful life which is determined in line with one applied to similar owned assets. The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20-39 years;
- Machinery and equipment 6-28 years.

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

(iv) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(e) Intangible assets

(i) Goodwill

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the aquiree; plus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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 any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, other than development carried out as part of construction contracts, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour, an appropriate proportion of overheads and borrowing costs that are directly attributable to the development activity. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised development costs is charged to the statement of income based on the unit-of-production method. The carrying amount is reviewed for impairment annually when the asset is not yet in use and thereafter whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management uses judgement in determination whether proceeds related to externally financed research and development contracts with government related entities should be accounted as government grants (Note 3(q)). In making this judgment, management considers a number of factors, including: the significance of external financing in total estimated costs of the contract, stage of research and development project at which the government related entity commences participation, whether all substantial risks and rewards attributable to the result of research and development activities are transferred to the counterparty.

(iii) Other intangible assets

Other intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets that have limited useful lives are amortised on a straight-line basis over the estimated useful lives of the individual assets, which are in the range of 3-5 years. Intangible assets with indefinite useful lives are not amortised but are instead tested for impairment at least annually.

(f) 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 (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition related transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold to maturity debt securities that are quoted in an active market, then such financial assets are classified as held-to-maturity financial assets. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

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

Loans and receivables category comprise the following classes of assets: trade and other receivables as presented in note 19, cash and cash equivalents as presented in note 20 and loans and deposits as presented in note 16.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of 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 3(i)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

(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 (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial 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 classifies non-derivative financial liabilities as the other financial liabilities. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

(iii) Derivative financial instruments

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency exposures.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on a ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; related transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects 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.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(g) Inventories

Construction work in progress is stated at cost plus profit recognised to date less foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group’s contract activities based on normal operating capacity.

Other inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(h) Construction contracts

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date (see note 3 (m)(i)). It is measured at cost incurred plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Construction contracts in progress are presented as part of inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as trade and other payables as liability in the statement of financial position.

(i) Impairment

(i) Non-derivative financial assets

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 current 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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. 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.

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.

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 where there is an indication that the impairment loss may no longer exist and 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.

(j) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(k) 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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually using the projected unit credit method. Net interest on the net defined benefit plan liability (asset), current and past service costs, including gains or losses arising on improving of plan benefits, plan curtailment or settlement, are recognised in profit or loss.

The effects of remeasurement of net defined benefit plan liabilities (assets), including actuarial gains and losses and return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), are recognised in other comprehensive income.

(iii) Short-term benefits

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.

(l) 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.

(i) Warranties

A provision for estimated standard warranty costs is recognised in the period in which the related product sales occur. An accrual for warranty costs is recognised based on the Group's historical experience on previous deliveries of aircrafts. Estimates are adjusted as necessary based on subsequent experience.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Revenues

Management uses judgement in determination whether revenue from manufacturing of an aircraft should be accounted for in accordance with IAS 11 as construction contracts or IAS 18 as goods sold. In making this judgment, management considers a number of factors, including: timing required to complete the contract, length of operating cycle required to deliver an item or set of items, extent of customer-driven modifications of an aircraft as compared to known specifications, existence of requirements for formal certification and benchmark tests to meet customer’s specific needs.

(i) Construction contracts

The operations of the Group include manufacturing aircraft under fixed price contracts where particular aircraft item (or items) undergoes significant modification in development and/or production to meet customer requirements, thus such contracts are accounted for under IAS 11 as construction contracts. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract, measured by the ratio of total direct materials, labour and contract related design and development costs incurred to date relative to the total estimated respective costs on the contract. This method is used as the management of the Group considers this to be the best available measure of progress on the contracts. The method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements. Costs that are incurred to secure a specific contract may be included in contract costs, but only if these costs can be directly associated with a specific contract and if their recoverability from that contract is probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Provisions for estimated losses on uncompleted contracts, if any, are made in the period in which such losses are determined and are recognised immediately in profit or loss. Changes in job performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, if any, and final contract settlements may result in revisions to costs and income and are recognised in the period in which the revisions are determined.

(ii) Goods sold

Revenue from the sale of goods, primarily related to production of serial civil aircraft not requiring substantial customer-related modification and separate military and civil aircraft components, is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from sales of aircraft that include underlying asset value guarantee commitments are generally accounted for as sale of goods, i.e. revenue is recognised in profit and loss in full contracted amount upon aircraft delivery, which normally represents the point of substantial transfer of significant risks and rewards of ownership of the aircraft to the customer airline. In order to justify full revenue recognition at the delivery date is the one of the key criteria shall be satisfied: at the date of delivery the estimated fair value of the aircraft at a future exercise date is expected to sufficiently exceed the guaranteed amount. If the aforementioned criterion is not satisfied, the sale is accounted for as an operating lease.

For sales deliveries accounted for as an operating lease upon the initial sale of these aircraft to the customer, the total cost of the aircraft previously recognised in inventory is transferred to "Property, plant and equipment" and depreciated over the estimated useful economic life of the aircraft, with the proceeds received from the customer being recorded as deferred income and recognised in profit or loss evenly over the period till the expected date of guarantee exercise date.

(iii) Services

Revenue from services rendered, which primarily relate to customer-specified aircraft-related development activities, aircraft modernisation, overhaul and repair, is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(n) Other expenses

(i) Operating leases

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.

(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.

(o) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on investments. All borrowing costs, which are not directly attributable to the qualifying assets, are recognised in profit or loss using the effective interest method, except for borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are recognized as part of the cost of such assets.

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

(p) Income tax

Income tax expense comprises current and deferred tax and tax credits utilized during the year. 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 expense is the expected tax payable on the taxable income 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 provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill; initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and investments in subsidiaries where the Parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates 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.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies.

Income tax credit is granted in the form of increases in tax-deductible expenses. Tax credit is presented in profit or loss as a deduction in current tax expense to the extent that an entity is entitled to claim the credit in the tax current reporting period. If the additional deduction exceeds taxable income, then the resulting tax loss can be carried forward and utilised in future periods by recognising as a deferred tax asset.

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.

(q) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Government grants that compensate the Group for expenses incurred are recognised as income in the statement of income on a systematic basis in the same periods in which the expenses were incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amounts of the asset.

(r) Earnings per share

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

(s) 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 President to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 / or 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, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. Except for land, which was appraised on the basis of recent market transactions, the market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales of comparable property, plant and equipment for using a market-based approach for determining fair value.

Consequently the fair value of property, plant and equipment was 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 intellectual property rights and patents acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the intellectual property rights or patent being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) 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.

(e) 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 Financial risk management

(a) Overview

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

- credit risk;
- liquidity risk;
- market risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Executive Board, a Group operational management body, and the Group President are responsible for developing and monitoring the Group's risk management policies. The Executive Board and President report regularly to the Board of Directors on its activities.

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

(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.

(i) Trade and other receivables

Main customers of the Group are Federal Government of Russian Federation and governments of other countries. The Group's exposure to credit risk is influenced mainly by the economic and political situation in Russian Federation and these countries. Approximately 73% of the Group's revenue is attributable to sales transactions with a group of five main customers. Therefore, geographically there is high concentration of credit risk. The Group monitors all changes which occur in the target countries.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities.

(iii) Guarantees

As at 31 December 2013 and 31 December 2012 the Group did not have any contractual commitments to extend financial guarantees, credit and other assistance.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, 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.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 15-30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(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.

The Group incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated primarily in US Dollars (USD) and Euro (EUR), currencies other than the respective functional currency of Group entities.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD, but also RUB and EUR. This provides an economic hedge.

In 2010 the Group subsidiary issued three-year rouble bonds and hedged those using foreign currency exchange forward contracts. This hedge is accounted for as a cash flow hedge and the effective part of the hedge net of related tax is recognised directly in hedging reserve in other comprehensive income. As at 31 December 2013 forward contract has expired.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of issuing new debt management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(iii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

(iv) Capital management

The Company's long-term objectives in managing capital are to safeguard the Group ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders. In the medium and short-term, the Group objectives are to maintain an optimal capital structure to reduce the cost of capital.

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital. Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's return on capital was negative in 2013 (2012: negative). The weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest and excluding effect of government grants related to interest expense) was 7,01 % (2011: 6,76 %)

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

Mln RUB	**2013**	**2012**
Total debt	260 780	215 199
Less: cash and cash equivalents	(59 098)	(52 453)
Net debt	**201 682**	**162 746**
Total equity	105 678	108 950
Debt to capital ratio at 31 December	1,91	1,49

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

Under certain loan agreements the Group subsidiaries have to comply with financial covenants which require maintaining a minimum level of Net Debt to EBITDA and a certain level of net assets which are considered in managing capital of those entities. As at 31 December 2013 and 31 December 2012 the Group subsidiary CJSC "Sukhoi Civil Aircraft" was in breach of certain financial covenants, although the Company obtained relevant waivers before the reporting date (Note 24 (d)).

6 Operating segments

The Group has three reportable segments, as described below. The segments represent the sub-holdings which develop and produce different products, and are managed separately because they require different technology and marketing strategies. For each of the segments, the Group's President reviews internal management reports on annual basis. The following summary describes the operations in each of the Group's reportable segments:

- *Sukhoi holding*. Primarily includes development and production of military combat aircraft as well as development of the civil aircraft programme SSJ-100.
- *Irkut Corporation*. Primarily includes production of military combat aircraft as well as development of the training military aircraft Yak-130 and civil aircraft programme MC-21.
- *Other units*. Includes designing and manufacturing of various types of aircraft as well as repair and maintenance of existing civil and military aircraft produced in Russia and the former Soviet Union.

The underlying principles on which the reportable segments information are generally derived from the statutory accounting records adjusted for intergroup transactions. The major reconciling differences between the information provided to President and the related IFRS-based amounts relate to:

- Timing differences relating to when revenue and costs are recognised.
- Adjustments for net realisable value of inventories and change in onerous contracts.
- Administrative expenses.
- Adjustments to fair value of intangible assets and property, plant and equipment.

All the Group's assets are located in the territory of the Russian Federation.

Information regarding the results of each reportable segment is included below. Segment performance is measured based on segment gross profit calculated as revenue after deduction of direct cost of production and directly attributable distribution expenses. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) Information about reportable segments

Mln RUB	**Sukhoi Group**		**Irkut Corporation**		**Other**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External revenue for reportable segments	89 536	83 859	57 867	42 139	65 755	51 853	**213 158**	**177 851**
Inter-segment revenue for reportable segments	1 620	2 038	456	6 645	5 046	3 565	**7 122**	**12 249**
Reportable segment gross profit	12 060	18 748	13 442	7 830	5 747	1 356	**31 249**	**27 933**

(ii) ***Reconciliation of reportable segments' revenues and reportable segments' measure of profit***

Mln RUB	**2013**	**2012**
Total revenue for reportable segments	220 280	190 100
Elimination of inter-segment revenue	(7 122)	(12 249)
Difference in timing and principles of revenue recognition	6 907	(6 832)
Consolidated revenue	**220 065**	**171 019**

	2013	**2012**
Reportable segment gross profit	31 249	27 933
Adjustments for:		
Net realizable value of inventories	5 384	(6 955)
Fair value of assets related to SSJ-100 programme	1 286	2 325
Reclassification of certain types of administrative expenses	7 347	7 948
Adjustments to fair value of intangible assets and property, plant and equipment	(122)	(54)
Difference in timing of recognition of revenue and cost of sales	(722)	4 059
Other	(21)	631
Gross profit	**44 401**	**35 887**

(iii) ***Major customer***

In 2013 and 2012, revenue from one customer, the Ministry of Defence of the Russian Federation, represented approximately 29% and 23%, respectively, of the Group's total revenue.

7 Revenue

Mln RUB	**2013**	**2012**
Revenue earned on aircraft construction contracts	125 795	88 936
Revenue on sales of aircraft components and related products	26 266	24 117
Revenue earned on research and development services	33 397	32 265
Revenue earned on modernisation and overhaul services	29 467	19 473
Other	5 140	6 228
Total	**220 065**	**171 019**

8 Personnel costs

Mln RUB	**2013**	**2012**
Wages and salaries	33 312	32 767
Compulsory social security contributions	8 214	8 741
Expenses related to defined benefit plans	19	24
Total	**41 545**	**41 532**

9 Other operating expenses

Mln RUB	**2013**	**2012**
Property and other tax expense	1 017	1 004
Bank charges	498	539
Charity and social expenses	853	752
Write-off and change in allowance for doubtful receivables	927	1 080
Write-off and change in impairment provision of inventory	1 156	2 009
Other expenses	439	774
Total	**4 890**	**6 158**

10 Other operating income

Mln RUB	**2013**	**2012**
Fines and penalties received	-	206
Rental income	253	160
Gain on disposal of property, plant and equipment and intangible assets	171	158
Gain on disposal of other assets	133	254
Reimbursement of insurance	-	273
Gain on disposal of JSC “FLC”*	-	7 849
Income attributed to JSC “FLC”*	-	883
Total	**557**	**9 783**

* In September 2012 in respect of "FLC" there was a loss of control as a result of bankruptcy.

11 Finance income and finance costs

Mln RUB	**2013**	**2012**
Finance income		
Interest income	2 638	2 669
Foreign exchange gain	-	3 382
Net income on finance leases	33	-
Other finance income	150	59
	2 821	**6 110**
Finance costs		
Interest expense	(17 013)	(14 762)
Government grant related to compensation of interest expense	2 763	1 174
	(14 250)	**(13 588)**
Net loss from finance lease contracts	-	(11)
Foreign exchange loss	(2 986)	-
Impairment/reversal of impairment on loss on investments	-	231
Other finance costs	(510)	(29)
	(17 746)	**(13 397)**

12 Income tax benefit

Mln RUB	**2013**	**2012**
Current tax benefit		
Current income tax	(122)	(1 536)
Adjustments of prior years	109	734
	(13)	**(802)**
Deferred tax benefit		
Origination and reversal of temporary differences	384	2 222
Change in recognised deferred tax assets	51	-
	435	2 222
Total	**422**	**1 420**

The Group's applicable tax rate is the corporate income tax rate of 20%.

Reconciliation of effective tax rate:

Mln RUB	**2013**	**%**	**2012**	**%**
Loss before income tax	(12 832)	100	(7 070)	100
Income tax at applicable tax rate	2 566	(20)	1 414	(20)
Non-deductible/ non-taxable items, net	(1 680)	13	(551)	8
Adjustments of prior years	109	(1)	151	(2)
Foreign exchange gain/(loss)	217	(2)	(40)	1
Unused tax credit relating to R&D expenses of the reporting period	-	-	377	(5)
Utilization of previously unrecognised tax credit related to R&D expenses of prior years	-	-	800	(11)
Change in recognised deferred tax assets	51	-	(359)	5
Unrecognised deferred tax assets	(841)	7	(372)	5
Total	**422**	(3)	**1 420**	(20)

13 Property, plant and equipment

Mln RUB	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
	57 792	55 293	10 307	12 691	136 083
Acquisition under common control	6 875	757	120	106	7 858
Additions and transfers	4 158	8 835	(1 057)	8 791	20 727
Reclassifications	72	(72)	-	-	-
Disposals	(1 018)	(2 507)	(1 248)	-	(4 773)
Foreign exchange differences	(10)	(199)	(48)	(143)	(400)
At 31 December 2012	**67 869**	**62 107**	**8 074**	**21 445**	**159 495**
Additions and transfers	1 573	8 655	3 546	8 195	21 969
Reclassifications*	(5 132)	5 132	-	-	-
Disposals	(267)	(2 513)	(994)	-	(3 774)
Foreign exchange differences	1 048	2 277	98	120	3 543
At 31 December 2013	**65 091**	**75 658**	**10 724**	**29 760**	**181 233**
Depreciation					
At 1 January 2012	(8 629)	(27 073)	(4 275)	-	(39 977)
Depreciation charge	(1 404)	(7 945)	(1 053)	-	(10 402)
Reclassifications	(4)	(13)	17	-	-
Impairment charge	-	-	-	-	-
Disposals	395	1 474	1 001	-	2 870
Foreign exchange differences	(3)	64	9	-	70
At 31 December 2012	**(9 645)**	**(33 493)**	**(4 301)**	**-**	**(47 439)**
Depreciation charge	(1 543)	(9 105)	(1 998)	-	(12 646)
Disposals	110	1 426	701	-	2 237
Foreign exchange differences	(206)	(1 159)	(61)	-	(1 426)
At 31 December 2013	**(11 284)**	**(42 331)**	**(5 659)**	**-**	**(59 274)**
Carrying amounts					
At 1 January 2012	**49 164**	**28 220**	**6 032**	**12 691**	**96 107**
At 31 December 2012	**58 224**	**28 614**	**3 773**	**21 445**	**112 056**
At 31 December 2013	**53 807**	**33 327**	**5 065**	**29 760**	**121 959**

* In 2013 year the Group has revised the purpose of a number of production assets which have resulted in reclassification of these objects. Accumulated depreciation on these assets is insignificant.

(a) Aircraft in operating lease

The aircraft in operating leases as at 31 December 2013 include aircraft provided to customers under operating lease agreements as well as aircraft delivered to customers under sales agreements which contain repurchase obligations requiring classification of those transactions as operating lease. Such planes are recorded as operating leases and are included in fixed assets in the amount of RUB 5 614 million (31 December 2012: RUB 5 889 million).

(b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. The leased equipment secures the lease obligations (see note 24(e)). At 31 December 2013 the net carrying amount of leased plant and machinery was RUB 4 322 million (2012: RUB 4 511 million).

(c) Security

At 31 December 2013 property, plant and equipment with a carrying amount of RUB 2 957 million (31 December 2012: RUB 4 872 million) is pledged as collateral for secured loans (see note 24(b)).

(d) Other restrictions

The net book value of property, plant and equipment restricted for sale by the Russian government in accordance with the state military programme amounted to RUB 12 997 million (2012: RUB 9 567 million).

(e) Capitalised borrowing costs

Additions to property, plant and equipment for the year ended 31 December 2013 include RUB 337 million of capitalised borrowing costs (2012: RUB 398 million).

14 Intangible assets

Mln RUB	Goodwill	Development costs	Software	Advances given for development costs	Total
Cost					
At 1 January 2012	2 060	48 697	2 758	2 176	55 691
Acquisition under common control	-	-	2	-	2
Additions and transfers	-	8 167	1 316	236	9 719
Disposals	-	(344)	(358)	(37)	(739)
Government grants	-	(126)	-	-	(126)
Foreign exchange differences	(117)	(538)	38	-	(617)
At 31 December 2012	**1 943**	**55 856**	**3 756**	**2 375**	**63 930**
Additions and transfers	-	8 521	421	103	9 045
Reclassification from inventories	-	-	21	-	21
Disposals	-	(15)	(336)	(58)	(409)
Government grants	-	(1 251)	-	-	(1 251)
Foreign exchange differences	52	3 682	44	-	3 878
At 31 December 2013	**2 095**	**66 793**	**3 906**	**2 420**	**75 214**
Amortisation and impairment losses					
At 1 January 2012	-	(9 959)	(805)	-	(10 764)
Amortisation charge	-	(943)	(771)	-	(1 714)
Impairment loss	-	(89)	-	-	(89)
Disposals/reclassification	-	103	267	-	370
At 31 December 2012	**-**	**(10 888)**	**(1 309)**	**-**	**(12 197)**
Amortisation charge	-	(2 909)	(530)	-	(3 439)
Disposals/reclassification	-	140	128	-	268
Foreign exchange differences	-	(782)	(3)	-	(785)
At 31 December 2013	**-**	**(14 439)**	**(1 714)**	**-**	**(16 153)**
Carrying amounts					
At 1 January 2012	**2 060**	**38 738**	**1 953**	**2 176**	**44 927**
At 31 December 2012	**1 943**	**44 968**	**2 447**	**2 375**	**51 733**
At 31 December 2013	**2 095**	**52 354**	**2 192**	**2 420**	**59 061**

(a) Goodwill

Goodwill relates to the acquisition of JSC "Irkut Corporation" and its subsidiaries ("Irkut Group") in 2007.

As at 31 December 2013 management tested the acquired goodwill for impairment. The recoverable amount of Irkut group's CGU was determined with reference to its fair value. Applying disounted cashflow approach cash flow projections were based on financial budgets and forecast approved by management covering a period until 2026 as the projected cash flows are primarily based on the lifecycle of MC-21 programme which is expected to reach maturity in 2021-2023. Terminal value, representing the cash flows beyond 2026, was calculated applying a growth rate of 2,5%. The cash flows were discounted using a post-tax discount rate of 16,75% in each forecast year.

As a result, the recoverable amount of assets of Irkut Group, including related goodwill, exceeded its carrying amount as at 31 December 2013 and 31 December 2012.

(b) Development costs

Capitalised development costs comprise of the following programmes:

Mln RUB	**2013**	**2012**
Sukhoi Super Jet – 100 aircraft ("SSJ-100")	29 953	25 269
Yak-130 aircraft	5 490	5 470
MC-21 aircraft	5 499	3 710
Other	11 412	10 528
Total	**52 354**	**44 977**

MC-21

Production of MC-21 aircraft and provision of services to customers under certain military programmes will commence in 2017, respectively. Consequently, the related intangible assets are not amortised. Instead, management tested this asset for impairment as at the reporting date. A discount rate of 12% was applied in determining the recoverable amount.

SSJ-100

The development of the "Sukhoi Super Jet – 100" ("SSJ-100") aircraft is included in the Federal Target Program "Development of the civil aircraft for 2002-2011 and for the period until 2015" approved by the Decision of the Federal Government of the Russian Federation No. 728 dated 15 October 2001. In accordance with this program, the Company receives financing from the Federal Government. Funds are received under the contract with the Ministry of Industry and Trade (Minpromtorg) which is structured as a contract for development services, and as direct subsidies from the budget to cover certain types of expenses.

In January 2011 the Group obtained the Type Certificate for serial aircraft production and subsequently deliveries commenced to the first customers.

Management concluded that development costs capitalised up to the date of the Type Certificate met the requirement of IAS 38 Intangible assets as 'available for use' which triggered commencement of amortisation of these costs based on the unit-of-production method. Management expects that certain development activities are still required to complete the development of the aircraft to ensure its operating capabilities and required aviation standards in the target markets.

Management constantly monitors the SSJ-100 program for signs of impairment. As at 31 December 2013, management performed an impairment test taking into account the current financial position of the Company as a main indicator for potential impairment.

Following the requirements of IAS 36 *Impairment of assets* management calculated the cash flow projections for a period of 10 years as the program is expected to mature in 2022. The terminal value, representing the cash flows beyond the ten-year period, was calculated based on the 10th forecasted year with zero growth rate.

Forecasted cash flow projections used for impairment test were based on the latest business plan which was revised in February 2014. Change in forecasted sales and production were mainly attributed to redistribution of volumes between future years. In particular, a revised sales volume for 2014 of 44 aircraft is generally in line with the previous year business plan (40 aircraft) and annual production volumes are expected to reach 62 aircraft in 2016, which does not exceed last year planned maximum production capacity of 70 aircraft. The overall market demand for SSJ 100 aircraft is expected to remain the same. Management estimates that the above amendments to business plan do not have significant impact on results of impairment test.

Below is the analysis of the sensitivity of the cash flow model to changes in the production capacity, sales price per aircraft and discount rate.

- *Sales volume.* An even decrease of annual production volumes by 15 % since 2016 (i.e. annual sales volumes would be less than expected by 9 aircraft in each forecasted year starting from 2016, assuming that actual sales volumes in 2014-2015 will be as expected) would result in impairment loss of RUB 4 863 million.
- *Sales price.* An annual increase in future sales prices by 3% starting from 2014 would result in additional excess of discounted cash flows over the carrying amount of the asset by RUB 34 012 million. An annual decrease in future sales prices by 3% starting from 2014 would result in an impairment loss of RUB 2 343 million.
- *Price discount.* Starting from 2016 the Company plans to reduce discounts to sales prices and expects to be able to sale aircraft without significant discounts after 2018. In case the Group continues to provide discounts similar to current levels an impairment loss would be required in the amount of RUB 28 141 million.
- *Discount rate*. The post-tax nominal rate applied for discounting of expected cash flows was 13,5% (2012: 14,15%). An application of post-tax nominal discount rate less than 15,59% would not lead to impairment of asset. However the application of 15,69% post-tax nominal discount rate would result in an impairment loss of RUB 657 million and an increase of 15.69% post-tax nominal discount rate by 1% would increase impairment loss by RUB 6 579 million. Decrease of post-tax nominal discount rate up to 12.5% would result in an additional excess of discounted cash flows over the carrying amount of the asset by RUB 25 536 million.

Other projects

By the end of the year 2012 the assets were substantially completed and became available for use, which triggered commencement of amortisation of these costs based on the unit-of-production method. Management continues to monitor the assets for signs of impairment and tests them for impairment, as necessary. As at 31 December 2013 there were no signs of impairment.

(c) Capitalised borrowing costs

Additions to development costs for the year ended 31 December 2013 include RUB 161 million of capitalised borrowing costs (2012: RUB 44 million).

15 Investments in associates and joint ventures

As at 31 December 2013 the Group owned significant influence interests in JSC "Ilyushin Finance Co" ("IFC"), "SuperJet International" S.p.A ("SJI"), "Airbus Freighter Conversion" GmbH ("AFC") and Multirole Transport Aircraft Ltd ("MTAL").

IFC

IFC provides lease financing of civil aircraft and invests in the construction, sale and repair of aircrafts.

In late 2013 the Group took a firm decision to sell its share in the IFC, whereby the investment was reclassified to assets held for sale (see note 21).

SJI

SJI is established by the Group together with Alenia Aeronautica S.P.A and incorporated in Italy to provide services to European airlines operating Superjet-100. During the year ended 31 December 2013 cash contribution was made to the capital of "SuperJet International" S.p.A. in the amount of RUB 783 million (in 2012 - RUB 392 million). In 2013, the Group's share of loss in "SuperJet International" S.p.A. amounted to RUB 602 million (2012: RUB 450 million).

MTAL

In 2012 the Group contributed RUB 618 million to the share capital of the newly established joint venture Multirole Transport Aircraft Ltd. (MTAL). MTS Program is being executed by MTAL under the Agreement on cooperation in the development and production of multirole transport aircraft between the Government of the Russian Federation (share of ownership - 25%) and the Republic of India (share of ownership 50%). Following the Regulation of the President of the Russian Federation dated March, 2010 the Group's subsidiary JSC "UAC-TS" is authorized to trade military products to foreign governments. The Group's share in MTAL as at 31 December 2013 composed 25%.

AFC

In June 2012 the Group and its joint venture partners decided to discontinue the A320/A321 Passenger to Freighter conversion development programme. On 30 December 2011, the "Airbus Freighter Conversion GmbH" joint venture was deregistered but continued to exist for the year ended 31 December 2012 for the purpose of creditors' protection according to German Law. Moreover, fulfilling the provisions of the Shareholders' Agreement and subsequent resolutions as well as following the rules by law for the liquidation of the company Liquidation Closing Balance Statement were prepared as at 30 December 2012. As per German Law, the Shareholder's Meeting should approve AFC's accounts by formal Shareholder's resolution.

The Group does not expect future losses in respect to AFC to be recorded in financial statements. Moreover, AFC is liable to the Group in the amount RUB 4 million.

The following is summarised financial information for equity accounted investees:

2013

Mln RUB	**SJI**	**MTAL**	**Total**
Ownership interest	40,76%	48,35%	
Current assets	9 056	1 222	10 278
Non-current assets	3 835	2	3 837
Total assets	**12 891**	**1 224**	**14 115**
Current liabilities	11 265	1	11 266
Non-current liabilities	1 370	-	1 370
Total liabilities	**12 635**	**1**	**12 636**
Revenue and gross finance income from lease	4 986	29	5 015
Expenses	(6 463)	(31)	(6 494)
Loss for the year	**(1 477)**	**(2)**	**(1 479)**
Group share of loss	**(602)**	**(1)**	**(603)**

2012

Mln RUB	**IFC***	**SJI**	**MTAL**	**Total**
Ownership interest	49,48%	42,59%	48,35%	
Current assets	14 621	5 019	882	20 522
Non-current assets	19 226	2 367	189	21 782
Total assets	**33 847**	**7 386**	**1 071**	**42 304**
Current liabilities	7 042	822	1	7 865
Non-current liabilities	10 678	6 774	-	17 452
Total liabilities	**17 720**	**7 596**	**1**	**25 317**
Revenue and gross finance income from lease	8 206	381	8	8 595
Expenses	(7 962)	(1 438)	(3)	(9 403)
Profit/(loss) for the year	**244**	**(1 057)**	**5**	**(808)**
Group share of profit/(loss)	**121**	**(450)**	**1**	**(328)**

The reporting date for all associates listed above is 31 December.

* The Group's share of losses in an IFC in 2013 amounted to RUB 44 million.

Below is a summary of movement in the carrying amount of investments in associates:

Mln RUB	**IFC**	**SJI**	**MTAL**	**Total**
Investments in associates as at 1 January 2012	**9 120**	**100**	**-**	**9 220**
Acquisition of additional shares/increase of investment	-	392	618	1 010
Dividends	(169)	-	-	(169)
Group share of profit/(loss)	121	(507)	1	(385)
Foreign exchange differences	-	15	-	15
Investments in associates as at 31 December 2012	**9 072**	**-**	**619**	**9 691**
Acquisition of additional shares/increase of investment	-	783	-	783
Group's share of losses	(44)	(602)	(1)	(647)
Reclassification to assets earmarked for sale	(9 028)	-	-	(9 028)
Foreign exchange differences	-	(77)	-	(77)
Investments in associates as at 31 December 2013	**-**	**104**	**618**	**722**

16 Investments and non-current financial assets

Mln RUB	**2013**	**2012**
Non-current		
Available-for-sale investments measured at cost	3 165	3 454
Loans given	280	208
Promissory notes	42	33
Held-to-maturity investments	-	3
Total	**3 487**	**3 698**
Current		
Deposits	1 062	1 394
Loans given	321	204
Promissory notes	10	58
Other current financial assets	137	1 621
Total	**1 530**	**3 277**

Available-for-sale investments stated at cost comprise unquoted equity securities in the airspace and defence industry. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. However, management believes it is unlikely that the fair value at the end of the reporting period would differ significantly from their carrying amount.

Investments available for sale as at 31 December 2013 and 31 December 2012 are mostly attributable to equity securities in JSC "Oboronprom" held by the Group`s subsidiary JSC "RSK "MIG" in the amount of RUB 2 698 million. The ownership interest of RSK MIG in JSC "Oboronprom" decreased to 5,01% as a result of a dilution of share ownership in 2012 (2012: 5,79%).

17 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Mln RUB	**Assets**		**Liabilities**		**Net**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Property, plant and equipment	1 748	1 176	(8 704)	(8 046)	(6 956)	(6 870)
Intangible assets	3 247	1 013	(4 888)	(4 993)	(1 641)	(3 980)
Investments	3 088	1 043	(1 099)	(865)	1 989	178
Inventories	15 341	9 504	(10 120)	(1 901)	5 221	7 603
Trade and other receivables	576	957	(8 316)	(6 658)	(7 740)	(5 701)
Trade and other payables	1 570	4 050	(1 995)	(3 829)	(425)	221
Loans and borrowings	1 172	204	(493)	-	679	204
Provisions and employee benefits	992	554	(219)	(104)	773	450
Tax credit for R&D expenses	-	377	-		-	377
Tax loss carry-forwards	12 017	10 929	-	-	12 017	10 929
Total tax assets/(liabilities)	**39 751**	**29 807**	**(35 834)**	**(26 396)**	**3 917**	**3 411**
Offset of tax	(31 218)	(23 130)	31 218	23 130	-	-
Net tax assets/(liabilities)	**8 533**	**6 677**	**(4 616)**	**(3 266)**	**3 917**	**3 411**

Movement in temporary differences during the year

Mln RUB	**1 January 2012**	**Recognised in other compre-hensive income**	**Acquisition under common control**	**Recognised in profit or loss**	**Foreign currency transla-tion**	**31 December 2012**
Property, plant and equipment	(6 224)	-	189	(1 916)	1 081	(6 870)
Intangible assets	(3 368)	-	-	(704)	92	(3 980)
Investments	105	-	-	62	11	178
Inventories	6 724	-	16	857	6	7 603
Trade and other receivables	(3 870)	-	-	(1 957)	126	(5 701)
Trade and other payables	822	-	-	(576)	(25)	221
Loans and borrowings	6	-	-	224	(26)	204
Provisions and employee benefits	614	44	-	(190)	(18)	450
Tax credit for R&D expenses	-	-	-	377	-	377
Tax loss carry-forwards	4 891	-	-	6 045	(7)	10 929
Total	**(300)**	**44**	**205**	**2 222**	**1 240**	**3 411**

Mln RUB	**1 January 2013**	**Recognised in other compre-hensive income**	**Recognised in profit or loss**	**Foreign currency translation**	**31 December 2013**
Property, plant and equipment	(6 870)	-	579	(665)	(6 956)
Intangible assets	(3 980)	-	2 639	(300)	(1 641)
Investments	178	-	1 811	-	1 989
Inventories	7 603	-	(2 957)	575	5 221
Trade and other receivables	(5 701)	-	(1 410)	(629)	(7 740)
Trade and other payables	221	-	(854)	208	(425)
Loans and borrowings	204	-	460	15	679
Provisions and employee benefits	450	(21)	338	6	773
Tax credit for R&D expenses	377	-	(377)	-	-
Tax loss carry-forwards	10 929	-	206	882	12 017
Total	**3 411**	**(21)**	**435**	**92**	**3 917**

Tax loss carry-forwards expire in the future as follows:

Mln RUB	**2013**	**2012**
2013	-	3
2014	5	5
2015-2016	89	89
2017-2020	1 651	1 764
2021	158	195
2022	2 713	3 397
2023	4 783	5 476
2024	2 618	-
	12 017	**10 929**

The sufficient part of tax losses expires in 2015-2024. Deferred tax assets including unused tax losses are recognized as the Management of the Group expects sufficient taxable profit to set off the tax in foreseeable future before it expires.

(b) Unrecognized deferred tax assets

Mln RUB	**2013**	**2012**
Deductible temporary differences	3 901	4 569
Tax loss carry-forwards	17 382	16 645
Total	**21 283**	**21 214**

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

Unrecognised tax losses expire in the future as follows.

Mln RUB	**2013**	**2012**
2018-2023	14 829	14 301
2015-2017	1 864	1 616
2014	689	728
	17 382	**16 645**

(c) Unrecognised deferred tax liability

A temporary difference as at 31 December 2013 of RUB 1 500 million (2012: RUB 1 733 million) relating to investments in subsidiaries has not been recognised because the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

18 Inventories

Mln RUB	**2013**	**2012**
Advance payments to suppliers	53 123	43 337
Raw materials and other supplies	22 052	20 499
Aircraft components	39 849	37 631
Goods for sale	9 868	6 415
Impairment of inventories	(4 018)	(4 467)
	120 874	**103 415**
Other work in progress	41 969	41 533
Impairment of work in progress	(8 389)	(10 602)
	154 454	**134 346**
Costs incurred and recognised profits on construction contracts less progress billings	16 140	20 960
Total	**170 594**	**155 306**

(a) The aggregate amount of costs incurred and recognised profits

The aggregate amount of costs incurred and recognised profits (less recognised losses) to date on construction contracts in progress is RUB 162 790 million (2012: RUB 116 513 million).

(b) Security

Inventory with a carrying amount as at 31 December 2013 of RUB 184 million (31 December 2012 of RUB 747 million) is pledged as collateral for secured loans (see note 24(b)).

19 Trade and other receivables

Mln RUB	**2013**	**2012**
Current		
Trade receivables	43 963	34 261
Impairment	(3 757)	(2 848)
	40 206	**31 413**
VAT recoverable	27 115	25 064
Prepayments	34 541	6 849
Due from tax authorities	1 091	600
Government grant receivable	-	1 368
Other receivables and originated loans	9 798	11 649
Impairment of other receivables	(5 847)	(5 489)
Total	**106 904**	**71 454**
(a) Non-current		
Other advances	317	657
VAT receivable	439	526
Trade and other receivables, non-current	300	4 628
Total	**1 056**	**5 811**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 29.

20 Cash and cash equivalents

Mln RUB	**2013**	**2012**
Bank balances, RUB	36 866	33 679
Bank balances, Foreign currency	17 635	10 369
Deposits	3 090	7 865
Other cash and cash equivalents	1 507	540
Total	**59 098**	**52 453**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

21 Disposal asset held for sale

As a result of measures to provide financial support to a subsidiary of JSC "Sukhoi Civil Aircraft", in December 2013 the Group management decided to sell the entire share (49,48%) in JSC "Ilyushin Finance" to the Bank of development "VEB". The expected date of sale is first half of 2014. The investment was valued at the lower of anticipated sale price and its carrying amount of RUB 9 028 million and was reclassified into the category of assets held for sale.

22 Equity

(a) Share capital and share premium

	Ordinary shares	
Thousands of shares	**2013**	**2012**
Authorised shares	219 654 789	219 654 789
Par value, RUB	0,86	1,00
On issue at 1 January	219 654 789	201 925 962
Paid in cash	-	17 139 419
Issued for equity instruments of subsidiaries and associates	-	589 408
On issue at 31 December, fully paid	**219 654 789**	**219 654 789**

RUB	The nominal value of shares 2013	2012
At the beginning of the year	1,00	1,00
Reduction of the nominal share price	(0,14)	-
At the end of the year	**0,86**	**1,00**

As at 31 December 2013 authorized capital amounted to 188 903 119 rubles.

In accordance with the requirements of paragraph 6 of Article 35 of the Federal Law of 26 December 1995 № 208-FZ “On Joint Stock Companies”, the Extraordinary General Meeting of Shareholders of JSC “UAC”, which was held on 18 March 2013 (Minutes № 19 of 19 March 2013) decided to reduce the share capital of JSC “UAC” by reducing the par value of the shares in order to bring the amount of authorized capital to an amount not exceeding the value of the net assets of JSC “UAC”.

To implement this decision, the Company carried out placement of ordinary registered shares with a par value of 0.86 rubles. (GRN 1-02-55306 -E from 26 April 2013) by converting the shares of the same category (type) of the par value of 1 ruble. Conversion date – 30 April 2013. As a result, the value of the authorized capital of JSC “UAC” amounted to 188 903 119 rubles.

At the date these consolidated financial statements were authorised for issue share capital of the Company consisted of 219 654 789 thousand shares.

(b) Prepaid shares reserve

In the Board of Directors of JSC "UAC" it was decided to increase the authorized capital by issuing additional shares (Minutes № 87 dated 29 July 2013). Decision on the issue (additional issue) of securities of JSC “UAC” par value of 0.86 rubles. in the amount of 33 000 000 thousand shares registered by FFMS of Russia 29 August 2013, the state registration number 1-02-55306-E-0010. The volume of securities placed face value is 28 380 000 thousand rubles. As at 31 December 2013 the amount of cash received in payment of the authorized capital of JSC “UAC” is 4 198 406 thousand.

In accordance with paragraph 8.2 of the Decision on the issue (additional issue) of securities of JSC “UAC”, registered by FFMS of Russia 29 August 2013, the date of placement is the date of entry in the register of holders of registered securities of the Issuer for the last placement shares of the additional issue but not later than one year from the date of state registration of the additional issue of securities.

(c) Revaluation reserve

Revaluation reserve relates to the revaluation of pre-combination interest held by the Group before acquisition of the controlling interest in JSC “Irkut Corporation” in 2007.

(d) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Group subsidiaries with a functional currency other than the Russian Rouble.

(e) Treasury shares

The reserve for the Company’s own shares comprises the cost of the Company’s shares held by the Group. At the reporting date the Group held 309 894 828 (2012: 309 894 828) of its own shares.

(f) Dividends and dividend limitations

Profits available for distribution to ordinary shareholders in respect of any reporting period are determined by reference to the financial statements of the Company prepared in accordance with the laws of the Russian Federation and Russian Accounting Principles and denominated in Russian roubles. At 31 December 2013 the

Company had accumulated losses amounting to RUB 1 498 million, including the loss for the current year of RUB 702 million, (31 December 2012: accumulated loss of RUB 32 952 million).

Before these consolidated financial statements were authorised for issue, no recommendation had been made by the Board of Directors with regard to dividend distribution.

(g) Cash contributions to equity of subsidiaries by non-controlling shareholders

During 2013 and 2012 non-controlling shareholders of the Group's subsidiaries made direct contributions to equity of those subsidiaries. The result of those transactions was recognised directly in equity as an adjustment to non-controlling interest and the Group's accumulated losses.

In June 2012 the Group's subsidiary JSC "Company "Sukhoi" initiated a closed-subscription issue of 626 368 ordinary shares all with par value of RUB 1 000 each for the benefit of the Russian Federation represented by The Federal Agency for State Property Management for the total consideration of RUB 1 693 million which was paid in cash in 2012. The issue was completed and registered in September 2012. The Group's effective ownership in JSC "Company "Sukhoi" has decreased from 89,60% as at 31 December 2011 to 86,91% as at 31 December 2012.

In September 2013 the Company initiated a closed-subscription issue of 651 353 ordinary shares all with par value of RUB 1 000 each for the benefit of the Russian Federation.

Contribution to equity of JSC "Company "Sukhoi" for the total consideration of RUB 1 596 million was fully paid in cash in 2013. The issue was completed and registered in February 2013.

As at 31 December 2013 share capital of the Company comprised of 25 611 647 fully paid ordinary shares all with par value of RUB 1 000 each.

In 2012, the Federal Agency for State property management acting on behalf of the Russian Federation further contributed RUB 157 million directly to the share capital of the Group's subsidiary JSC "Nizhniy Novgorod Aircraft Plant Sokol".

(h) NCI

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2013

Mln RUB	CJSC “Sukhoi Civil Aircraft”	JSC “Corporation Irkut”	JSC “Company Sukhoy”	JSC “RSK MIG”	Other individually immaterial subsidiaries	Total
NCI percentage	**37,61%**	**6,18%**	**16,81%**	**37,23%**		
Non-current assets	50 398	23 941	49 046	29 300		
Current assets	31 808	52 677	76 646	65 343		
Non-current liabilities	(48 448)	(24 322)	(40 825)	(23 899)		
Current liabilities	(46 776)	(25 396)	(56 000)	(82 529)		
Net assets	**(13 017)**	**26 901**	**28 867**	**(11 785)**		
Carrying amount of NCI	**(6 825)**	**1 867**	**3 432**	**(4 363)**	2 028	**(3 861)**
Revenue	16 362	60 694	65 229	33 851		
Gross profit	(2 186)	15 870	13 970	9 770		
Profit	(7 010)	1 166	(115)	(2 788)		
OCI	-	(117)	(902)	(963)		
Total comprehensive income	**(7 010)**	**1 049**	**(256)**	**(3 751)**		
Profit allocated to NCI	(2 637)	72	(19)	(1 038)	(55)	**(3 677)**
OCI allocated to NCI	**-**	**(7)**	**(152)**	**-**	(15)	**(174)**
Cash flows from operating activities	(13 279)	5 942	(5 782)	2 834		
Cash flows from investment activities	(2 706)	(2 868)	(7 616)	(2 824)		
Cash flows from financing activities	11 174	(3 408)	11 426	1 037		
Net increase (decrease) in cash and cash equivalents	**(4 811)**	**(334)**	**(1 972)**	**1 047**		

31 December 2012

Mln RUB	**CJSC "Sukhoi Civil Aircraft"**	**JSC "Corporation Irkut"**	**JSC " Company Sukhoy"**	**JSC "RSK MIG"**	**Other individually immaterial subsidiaries**	**Total**
NCI percentage	**35,68%**	**5,98%**	**13,09%**	**41,58%**		
Non-current assets	43 608	20 417	34 094	29 170		
Current assets	28 867	60 251	58 281	63 075		
Non-current liabilities	(37 372)	(15 914)	(18 908)	(31 376)		
Current liabilities	(43 475)	(40 676)	(39 643)	(69 771)		
Net assets	**(8 372)**	**24 079**	**33 824**	**(8 902)**		
Carrying amount of NCI	**(3 656)**	**1 723**	**3 441**	**(3 702)**	(425)	**(1 769)**
Revenue	6 153	47 599	67 544	20 083		
Gross profit	(604)	11 435	19 734	5 062		
Profit	(3 459)	999	1 923	(5 238)		
OCI	(367)	(933)	373	(963)		
Total comprehensive income	**(3 826)**	**66**	**2 296**	**(6 201)**		
Profit allocated to NCI	(1 234)	60	1 033	(2 178)	(2 512)	**(4 831)**
OCI allocated to NCI	(131)	(56)	132	(98)	(7)	**(160)**
Cash flows from operating activities	(7 754)	17 572	(4 158)	(6 993)		
Cash flows from investment activities	(5 331)	(5 290)	(3 848)	1 050		
Cash flows from financing activities	18 057	(9 030)	7 616	6 375		
Net increase (decrease) in cash and cash equivalents	**4 972**	**3 252**	**(390)**	**432**		

23 Loss per share

The calculation of basic loss per share at 31 December 2013 is based on the loss attributable to ordinary shareholders of RUB 8 733 million (2012: RUB 819 million), and a weighted average number of ordinary shares outstanding of 219 344 894 thousand shares (2012: 209 565 484 thousand shares), calculated as shown below. The Company has no dilutive potential ordinary shares.

Thousands of shares	2013	2012
Issued shares at 1 January	219 654 789	201 925 963
Own shares at 1 January	(309 895)	(309 895)
Effect of shares issued in July 2011	-	-
Effect of shares issued in January 2012	-	2 528 466
Effect of shares issued in June 2012	-	5 420 949
Weighted average number of shares for the year ended 31 December	**219 344 894**	**209 565 484**

24 Loans and borrowings

This note provides information about the contractual terms of the Group's 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 29.

Mln RUB	**2013**	**2012**
Non-current liabilities		
Secured bank loans	56 892	48 325
Unsecured bank loans	49 134	24 787
Unsecured borrowings	-	925
Unsecured bonds issued	46 280	-
Secured bonds issued	5 052	46 280
Finance lease liabilities	508	1 066
Other loans	112	808
	157 978	**122 191**

Mln RUB	**2013**	**2012**
Current liabilities		
Secured bank loans	32 928	33 445
Unsecured bank loans	60 695	44 742
Unsecured borrowings	1 008	583
Unsecured bonds issued	5 968	11 858
Secured bonds issued	1 146	1 136
Finance lease liabilities	896	1 065
Other loans	161	179
	102 802	**93 008**

(a) Terms and debt repayment schedule

Mln RUB	Currency	Nominal interest rate	Year of maturity	Face value 2013	Carrying amount 2013	Face value 2012	Carrying amount 2012
Secured bank loans:	RUB	7% - 15%	2014-2018	27 586	27 641	23 844	23 908
	RUB	10% - 12%	2021-2022	3 173	3 173		
	RUB	Mosprime + 3%	2013-2014	1 310	1 310	1 310	1 310
	USD	5% - 11%	2014-2016	13 411	13 436	24 474	24 518
	USD	7% - 9%	2015-2027	29 074	29 072	16 742	16 742
	USD	Libor+3-9%	2014-2017	5 968	5 968	6 596	6 596
	EUR	6% - 7%	2014	8 722	8 739	8 187	8 202
	GBP	9%	2014-2020	481	481	494	494
Unsecured bank loans:	RUB	3% - 14%	2014-2018	43 651	43 680	25 487	25 504
	USD	3% - 10%	2014-2018	51 350	51 387	25 994	25 841
	USD	LIBOR + 3% - 9%	2014-2018	3 674	3 674	8 069	8 069
	USD	7,04% - 9%	2022-2023	3 763	3 769	2 354	2 348
	EUR	5% - 8%	2014-2018	1 141	1 141	1 312	1 312
	EUR	Euribor+1-7%	2014-2017	5 964	5 964	6 228	6 228
	GBP	11%	2014-2020	214	214	227	227
Secured borrowings	USD	3%-6%	2012-2014			-	-
Unsecured borrowings:	USD	6%	2014	1 006	1 008	1 498	1 508
Unsecured bonds issued:	RUB	7,23-9,61%	2014-2015	5 968	5 968	11 735	11 858
	RUB	9%	2023	5 000	5 052	-	-
Secured bonds issued:	RUB	8%	2014	-	1 146	-	1 136
	RUB	8%	2020	46 280	46 280	46 280	46 280
Finance lease liabilities:	RUB	0% - 27%	2014-2017	299	299	267	268
	USD	0%	2014-2017	140	140	141	141
	USD	10% - 14%	2014-2017	289	289	347	347
	EUR	8%-22%	2014-2016	676	676	1 375	1 375
Other loans:	RUB	0%	2014-2019	199	199	186	186
	USD	0%	2014			429	429
	EUR	0%	2014	74	74	372	372
				259 413	**260 780**	**213 948**	**215 199**

(b) Security

Group loans are secured over property, plant and equipment with a carrying amount of RUB 2 957 million (31 December 2012: RUB 4 872 million), inventory with a carrying amount of RUB 184 million (31 December 2012: RUB 747 million), titles to rent of land plots with an area of 684 square metres (2012: 1 313 106 sq.m).

Also there are pledged rights to receive future revenues from export sales of Sukhoi Group, Irkut Group, JSC "RSK "MiG" and other Group entities.

(c) Bonds issued

As at 22 February 2011 the Federal Agency on Financial Markets of Russia registered the issue of unconvertible coupon bonds of the Company in a quantity of 46 280 000 thousands with a par value of RUB 1 000. Bonds have 18 coupon periods. Duration of 1-17 coupon periods is established equal to 182 days with a coupon rate of 8 % per annum. The duration of the 18^{th} coupon period is established equal to 196 days. Bonds are secured with the state guarantee of the Russian Federation. The funds raised from placement of the bonds were used for repayment and restructuring of bank loans for the purpose of financing the development and production activities of the Group.

(d) Covenants compliance

In October 2013 the Group subsidiary CJSC "Sukhoi Civil Aircraft" obtained a permanent waiver from EBRD with respect to certain loan covenants for the entire period of the loan agreement which enabled the Group to present related liability as long-term regardless of being in breach of these covenants.

(e) Finance lease liabilities as at 31 December 2013 are payable as follows:

Mln RUB	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	988	92	896
Between one and five years	530	22	508
	1 518	**114**	**1 404**

31 December 2012

Mln RUB	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	1 249	184	1 065
Between one and five years	1 175	109	1 066
Total	**2 424**	**293**	**2 131**

For more information about the Group's exposure to interest rate and foreign currency risk, see note 29.

25 Trade and other payables

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

Mln RUB	2013	2012
Current liabilities		
Advances from customers, unrelated to construction contracts	62 480	47 625
Advances related to construction contracts	17 133	36 675
Trade payables	34 987	32 969
Other payables	7 759	9 836
Settlements with employees	5 615	4 051
VAT payable	1 694	2 355
Other tax payable	2 529	2 190
Total	**132 197**	**135 701**
Non-current liabilities		
Advances from customers, unrelated to construction contracts	34 474	5 113
Trade payables	2 342	331
Other payables	304	180
Total	**37 120**	**5 624**
Total current and non-current liabilities	**169 317**	**141 325**

26 Government grants

The development of the "MC-21" and "Sukhoi Super Jet – 100" aircraft is included in the Federal Target Program "Development of the civil aircraft for 2002-2010 and for the period until 2015 approved by the Decision of the Federal Government of the Russian Federation No. 728 dated 15 October 2001. In accordance with this program, the Company receives financing from the Federal Government. Relevant funds are received under contracts with the Ministry of Industry and Trade (Minpromtorg) which are structured as contracts for development services, as well as in the form of direct subsidies from the budget to cover certain types of expenses.

As described in note 3(e)(ii), management applies judgement in determination of whether proceeds related to externally financed research and development contracts with government related entities should be accounted as government grants.

The summary of government grants received by the Group is presented below.

Mln RUB	2013	2012
Grants related to development costs	1 307	99
Total	**1 307**	**99**
Government grants related to income	636	456
Government grants related to compensation of interest expense	2 763	1 174
Total	**4 706**	**1 729**

27 Employee benefits

Mln RUB	2013	2012
Fair value of plan assets	850	863
Present value of obligations	(5 026)	(4 579)
Deficit in the plan	**(4 176)**	**(3 716)**
Total employee benefit liabilities	**(4 176)**	**(3 716)**

Certain Group subsidiaries make contributions to defined benefit plans that provide benefits for employees upon retirement in the form of life pensions, pensions with a limited number of years of payout or one-off lump-sum payments upon employee retirement. All of those plans entitle a retired employee to receive payments calculated based on the number of years of service and other factors representing individual merit of performance during individual service period. Those factors also determine whether the pension is life pension or a pension with limited number of years of payout. Amounts of lump-sum payments are also determined based on the number of years of services upon retirement.

Movements in the present value of the defined benefit obligations:

Mln RUB	2013	2012
Defined benefit obligations at 1 January	(4 579)	(4 054)
Current service cost	(282)	(289)
Benefits paid	266	229
Actuarial gain/(loss)	(83)	(237)
Interest cost	(347)	(264)
Forex differences	(3)	36
Defined benefit obligations at 31 December	**(5 026)**	**(4 579)**

Movements in the present value of plan assets:

Mln RUB	2013	2012
Fair value of plan assets at 1 January	863	896
Expected return on plan's assets	65	61
Benefits paid by the plan	(179)	(183)
Contributions paid into the plan	125	157
Actuarial gain/(loss)	(24)	(68)
Fair value of plan assets at 31 December	**850**	**863**

Plan assets comprise low–risk fixed income instruments.

Expense recognised in the statement of income:

Mln RUB	2013	2012
Current service cost	(282)	(289)
Expected return on plan's assets	65	61
Interest expenses	(347)	(264)
Total recognised in profit or loss	**(564)**	**(492)**
Actuarial gains and losses recognised in other comprehensive income	(107)	(305)
	(671)	**(797)**

The calculation of the defined benefit obligation is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year.

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

	2013	**2012**
Discount rate	7,9%	7,2%
Expected rate of return on plans assets	7,9%	7,2%
Future pension and salary increases	5,5%	5,5%
Average life expectancy of members from the date of retirement:		
Male	12 years	12 years
Female	20 years	20 years

28 Provisions

Mln RUB	**2013**				**2012**			
	Warranty	**Onerous contracts**	**Other**	**Total**	**Warranty**	**Onerous contracts**	**Other**	**Total**
Balance at 1 January	1 503	536	538	2 577	1 580	682	887	3 149
Provisions made during the year	1 269	4	407	1 680	869	6	481	1 356
Provisions used during the year	(517)	-	(1)	(518)	(867)	9	(441)	(1 299)
Provisions reversed during the year	(847)	(403)	(68)	(1 318)	(76)	(161)	(389)	(626)
Foreign exchange differences	-	-	-	-	(3)	-	-	(3)
Balance at 31 December	**1 408**	**137**	**876**	**2 421**	**1 503**	**536**	**538**	**2 577**

(a) Warranty

The Group provides product warranties in conjunction with certain product sales. Generally, aircraft sales are accompanied by a twelve to eighteen month warranty period that covers systems, accessories, equipment, parts and software manufactured by the Group to certain contractual specifications. Warranty coverage includes non-conformance to specifications and defects in material and workmanship.

The warranty liability recorded at each balance sheet date reflects the estimated number of months of warranty coverage outstanding for products produced times the expected monthly warranty payments, as well as additional amounts, if necessary, for certain major warranty issues that exceed a normal claims level.

29 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

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

Mln RUB	2013	2012
Finance lease receivables	3 668	852
Loans given	601	412
Deposits	1 062	1 394
Trade receivables	40 206	31 413
Costs incurred and recognized profits on construction contracts	16 140	20 960
Other receivables	5 342	8 777
Cash and cash equivalents	59 098	52 453
Total	**126 117**	**116 261**

(b) Impairment losses

The ageing of trade receivables at the reporting date was:

Mln RUB	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due (with a start date up to 50 days)	39 692	(143)	27 551	(90)
Past due 0-360 days	629	(95)	4 097	(145)
Past due more than one year	3 642	(3 519)	2 613	(2 613)
	43 963	**(3 757)**	**34 261**	**(2 848)**

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

Mln RUB	2013	2012
Balance as at 1 January	2 848	2 562
Impairment loss recognised	909	283
Balance as at 31 December	**3 757**	**2 848**

Based on historic default rates, the Group believes that no impairment provision is necessary in respect of trade receivables not past due or past due by up to 360 days.

The provision in respect of trade receivables and held-to-maturity investments is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2013 and at 31 December 2012 the Group does not have any collective impairment on its trade receivables or its held-to-maturity investments.

(c) Liquidity risk

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

31 December 2013

Mln RUB	Carrying amount	Contractual cash flows	12 month or less	2-3 years	4-5 years	More than 5 years
Secured bank loans	89 820	175 619	69 677	55 260	21 615	29 067
Unsecured bank loans	109 829	138 554	69 342	42 404	15 502	11 306
Unsecured borrowings	1 008	1 225	1 094	131	-	-
Secured bonds issued	47 426	70 422	4 849	7 405	7 405	50 763
Unsecured bonds issued	11 020	8 361	6 595	883	883	-
Finance lease liabilities	1 404	1 483	965	499	8	11
Other loans	273	712	421	202	68	21
Trade and other payables	47 921	47 921	45 276	2 645	-	-
	308 701	**444 297**	**198 219**	**109 429**	**45 481**	**91 168**

31 December 2012

Mln RUB	Carrying amount	Contractual cash flows	12 month or less	2-3 years	4-5 years	More than 5 years
Secured bank loans	81 770	90 133	37 458	13 531	12 081	27 062
Unsecured bank loans	69 529	77 129	50 111	6 940	6 197	13 881
Unsecured borrowings	1 508	1 659	641	1 018	-	-
Unsecured bonds issued	11 858	13 044	13 044	-	-	-
Secured bonds issued	47 416	58 614	1 227	3 702	3 702	49 982
Finance lease liabilities	2 131	2 424	1 249	1 153	22	-
Other loans	987	1 086	197	889	-	-
Trade and other payables	43 319	43 319	42 807	512	-	-
	258 518	**287 407**	**146 734**	**27 745**	**22 002**	**90 925**

(d) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of Group entities, primarily the Rubles (RUB), but also U.S. Dollars (USD) which is the functional currency of the Group's subsidiary JSC "Irkut Corporation" and CJSC "Sukhoi Civil Aircraft". The currencies in which these transactions primarily are dominated are USD, EUR and RUB:

Mln RUB	31 December 2013			31 December 2012		
	USD	EUR	RUB	USD	EUR	RUB
Cash and cash equivalents	11 190	1 677	8 657	6 850	3 519	6 655
Trade and other receivables	17 431	2 930	7 592	27 750	838	1 300
Costs incurred and recognised profits on construction contracts	6 298	3 476	3 423	12 668	3 476	3 531
Secured bank loans	(14 711)	(8 739)	(3 037)	(47 856)	(8 202)	(1 128)
Unsecured bank loans	(33 896)	(7 105)	(5 694)	(36 258)	(7 540)	(776)
Unsecured borrowings	(1 008)	-	-	(1 508)	-	(7 635)
Unsecured bonds issued	-	-	(11 020)	-	-	(5 139)
Finance lease liabilities	(140)	(677)	(5)	(488)	(1 375)	(6)
Other loans	-	(74)	-	(429)	(372)	-
Trade and other payables	(15 773)	(3 390)	(7 989)	(20 444)	(4 146)	(4 201)
Gross exposure	**(30 609)**	**(11 902)**	**(8 073)**	**(59 715)**	**(13 802)**	**(7 399)**
Forward exchange contracts	-	-	-	(4 806)	-	5 201
Net exposure	**(30 609)**	**(11 902)**	**(8 073)**	**(54 909)**	**(13 802)**	**(2 198)**

The following significant exchange rates applied during the year:

RUB	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD	31,85	31,09	32,73	30,37
EUR	42,31	39,95	44,97	40,29

(e) Sensitivity analysis

A 10% strengthening (weakening) of RUB against the USD and EUR based on the Group's exposure at the reporting date would have increased (decreased) net profit for the year by RUB 2 755 million (2012: RUB 5 321 million).

(f) Interest rate risk

(i) Profile

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

	Carrying amount	
Mln RUB	**2013**	**2012**
Fixed rate instruments		
Financial assets	4 847	9 776
Financial liabilities	(230 977)	(187 711)
	(226 130)	**(177 935)**
Variable rate instruments		
Financial liabilities	(29 803)	(27 488)
	(29 803)	**(27 488)**

(ii) Fair value sensitivity analysis for fixed rate instruments

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

(iii) Cash flow sensitivity analysis for variable rate instruments

An increase of one percentage point in interest rates based on the Group's exposure at the reporting date for 2013 would have increased loss for the year by RUB 231 million (31 December 2012: RUB 213 million). The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(g) Fair values

The Company estimates the fair value of its financial assets and liabilities not to be materially different from their current values. For receivables and payables with a remaining useful life of less than one year their notional amount is deemed to reflect their fair value. For loans and borrowings and all other financial instruments fair value is determined based on discounted future principal and interest cash flows.

The interest rates used to discount estimated cash flows, where applicable, are based on the market rates of instruments with similar market risk exposure and are disclosed in Note 24.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

31 December 2013	**Carrying amount**	**Fair value**		
Mln RUB		**Level 1**	**Level 2**	**Total**
Financial liabilities not measured at fair value				
Unsecured bond issue	(52 478)	(52 457)	-	(52 457)
	(52 478)	**(52 457)**	**-**	**(52 457)**

31 December 2012	**Carrying amount**	**Fair value**		
Mln RUB		**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value				
Forward contracts used for hedging	426	-	426	426
	426	**-**	**426**	**426**
Financial liabilities not measured at fair value				
Unsecured bond issue	(52 684)	(52 836)	-	(52 836)
	(52 684)	**(52 836)**	**-**	**(52 836)**

The basis for determining fair values is disclosed in note 4.

30 Operating lease

Mln RUB	**2013**	**2012**
Less than one year	548	241
Between one and five years	1 718	1 036
More than five years	7 675	10 175
Total	**9 941**	**11 452**

31 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.

(b) Litigation

(i) Claims against JSC "Finance Leasing Company"

There were no significant litigations and claims against the Group during 2013.

As for 2011, certain banks and other creditors claimed for reimbursement of losses from a Group subsidiary JSC "Finance Leasing Company" ("FLC") after FLC refused to meet its obligations as a result of significant deterioration of its financial position in 2007-2008. Responding to certain claims of management fraud within FLC and undue spending of funds the Russian authorities initiated a criminal investigation against certain individuals with management responsibilities in FLC during 2007-2008.

During 2011-2012 certain creditors claimed for JSC "FLC" bankruptcy and in September 2012 Moscow Arbitration Court declared the Group's subsidiary JSC "FLC" as bankrupt. Bankruptcy proceedings have been initiated for a 6 months term as a result. Thus, the Group lost control over JSC "FLC" in September 2012 and ceased consolidation of the subsidiary, thereafter.

In accordance with Russian legislation, neither the Parent company nor other entities of the Group are liable for claims against FLC's apart from those directly related to contract obligations, which the Company's management assesses as not significant. Therefore the Company's management believes that the Group will not suffer from any additional liabilities regarding FLC and will not be exposed to any cash outflows relating to FLC as the Group does not have any plans or obligations to provide direct financial support.

(c) Taxation contingencies

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

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

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

(d) Environmental contingencies

Governmental authorities are continually considering environmental regulations and their enforcement and the Group periodically evaluates its obligations related thereto. As obligations are determined, they are recognised immediately. The outcome of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under current levels of enforcement of existing legislation, management believes there are no liabilities, which will have a materially adverse effect on the financial position or the operating results of the Group.

(e) Assets value guarantee

Certain contracts for aircraft delivery include the obligation of an asset value guarantee whereby the Company is obliged to repurchase the aircraft at a specific date after its delivery for a predetermined value at the customer's request (Note 3(m)(ii)). According to the management assessment the guarantees provided do not bear significant financial risks at the reporting date.

The following factors contribute to this assessment:

- the estimated fair values of the aircraft at the guarantee exercise date are expected to sufficiently exceed the guarantee values;
- the exercise dates of the outstanding asset value guarantees fall on the 10^{th} anniversary after aircraft delivery which represents at least half of average aircraft useful life;
- the substantial portion of maintenance costs required to keep the aircraft in the adequate airworthiness condition are borne by the customers.

(f) Capital commitments

As at 31 December 2013 the Group is committed to capital expenditure of approximately RUB 31 322 million (2012: RUB 21 489 million).

32 Related party transactions

(a) Control relationship

Related parties comprise the shareholders of the Parent company and all other companies in which those shareholders, either individually or together, have a controlling interest.

The Federal Government of Russian Federation is the ultimate controlling party of the Group. Related parties disclosures (Note 32 (c)) as at 31 December 2013 include balances with other government related entities.

(b) Transactions with management

Key management personnel compensation

Key management received the following remuneration during the year, which is included in personnel costs (see note 8):

Mln RUB	2013	2012
Wages and salaries	897	879
Compulsory social security contributions	121	122
Total	**1 018**	**1 001**

(c) Transactions with government related entities

The Group is indirectly owned by the Federal Government of the Russian Federation (2013: 84,67%, 2012: 84,33%). The Group operates in an industry dominated by entities directly or indirectly controlled by the Federal Government of the Russian Federation through its government authorities, agencies, affiliation and other organisations (collectively referred to as "government related entities"). The Group has transactions with other government related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, depositing and borrowing money, and use of public utilities.

These transactions are conducted in the ordinary cause of the Group's business generally on terms comparable to those with other entities that are not government related. The Group has established procurement policies and approval process for purchases of products and services, which are independent of whether the counterparties are government-related entities or not. As discussed in the note 1(a), the core business of the Group is manufacturing of military and civil aircraft and rendering services related to principal activity under contracts with Russian and foreign governments, where substantial part such contracts is attributed to Russian government. The nature and amount of related contractual arrangements with government related entities may depend on various factors, such as complexity and quantity of product, availability of State budget financing and presence of other government objectives. The Group management monitors the size, terms and other relevant factors of related arrangements in order to determine whether those would collectively lead to a particular transaction to qualify as individually significant.

For the year ended 31 December 2013 management estimated that the aggregate amount of the Group's collectively significant transactions with government related entities is up to 52% (2012: up to 49%) of its revenues, at least 35% (2012: at least 32%) of its purchases of materials, equipment and services, and up to 63% of its borrowings (2012: up to 49%).

The Group also benefited from compensation of borrowing costs related to financing of export military goods from the government of Russian Federation. This government grant was provided following the Regulation of the Government of Russian Federation #357 and #961 dated 6 June 2005 and 25 October 2013 correspondingly for partial compensation of borrowing costs incurred by Russian entities engaged in export of industrial products and with financing obtained from Russian banks. Majority of balance of other receivables and originated loans comprises of receivable related to the program. Management expects that the Group will continue to qualify for further compensation in the future.

33 Significant subsidiaries

The list of significant subsidiaries as at 31 December 2013 and 31 December 2012 is presented below.

Entity of the Group	Effective ownership 2013	Effective ownership 2012
Sukhoi Group		
JSC "Company Sukhoi"*	83,19%	86,91%
JSC "OKB Sukhogo"*	-	51,64%
JSC "Komsomolsk-na-Amure Aviation Production Association"*	-	90,15%
JSC "Novosibirsk Aviation Production Association"*	-	89,74%
CJSC "Sukhoi Civil Aircraft"	62,39%	64,32%
CJSC "Sukhoi new civil technologies"	83,19%	86,91%
Irkut Group		
JSC "Irkut Corporation"	93,82%	94,02%
JSC "OKB Imeni A.S. Yakovlev"	78,70%	78,61%
CJSC "Beta-Ir"	70,06%	69,97%
Other		
JSC "Tupolev"	91,85%	95,52%
JSC "TANTK Imeni G.M. Berieva"	96,67%	90,19%
CJSC "Aviastar-SP"	99,23%	99,54%
JSC "OAK-TS"	100,00%	100,00%
JSC "Il"	87,47%	87,06%
JSC "VASO"	96,25%	96,23%
LLC "UAC-Antonov"	50,00%	50,00%
JSC "Nizhniy Novgorod Aircraft Plant Sokol"	99,98%	89,33%
CJSC "Aerocompozit"	99,49%	99,60%
LLC "UAC- Integration Center"	100%	100%
JSC "RSK MiG"	62,77%	58,42%
JSC "KAPO"	96,57%	100,00%
JSC "Myasishchev Design Bureau"	100,00%	100,00%
CJSC "Il-Resours"	87,47%	87,06%
CJSC "KAPO-Compozit"	100,00%	100,00%
CJSC "Aerocompozit-Ulyanovsk"	100,00%	100,00%
CJSC "M. M. Gromov Flight Research Institute"	93,25%	100,00%

*in 2013 JSC "OKB Sukhogo", JSC "Komsomolsk-na-Amure Aviation Production Association" , JSC "Novosibirsk Aviation Production Association" were merged with JSC "Company Sukhoi".

In addition, the Group has other subsidiaries, which are not material to the Group, either individually or in aggregate.

34 EBITDA

Management assesses financial results of Group's activity according to EBITDA, which is calculated as profit (loss) before tax adjusted for net finance costs/(income), depreciation of property, plant and equipment (PPE), amortization of Intangible assets (IA), charge for impairment of PPE and IA, and extraordinary items. Since this term is not a standard IFRS measure, the Group's definition of EBITDA may differ from that of other companies.

mln RUB	**2013**	**2012**
Loss before income tax	(12 832)	(7 070)
Adjustments for		
Net finance costs	14 925	7 827
EBIT	**2 093**	**217**
Adjustments for		
Depreciation of property, plant and equipment	12 646	10 402
Amortization of intangible assets	3 439	1 713
Gain on disposal of JSC "FLC"	-	(7 849)
EBITDA	**18 178**	**4 483**

35 Events subsequent to the reporting date

After signing a number of agreements, beginning with the second half of 2014 nine aircraft repair plants, formerly part of the structure of "Oboronservis" will go to the trust management of JSC "UAC". In March 2014 the Extraordinary General Meeting of shareholders in a subsidiary of JSC "Tupolev" it was decided to reorganize by a merger with another subsidiary of "KAPO. S.P. Gorbunova".